

NOTE 6 – CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 01/01/07	Beginning Balance Adjustments	Increases	Decreases	Balance 12/31/07
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 731,318	\$ (14,622)	\$ 32,978	\$ (13,790)	\$ 735,884
Infrastructure	953,185	(86,319)	63,026	(2,024)	927,868
Work in progress	77,245	57,371	107,999	(127,022)	115,593
Total capital assets not being depreciated	<u>1,761,748</u>	<u>(43,570)</u>	<u>204,003</u>	<u>(142,836)</u>	<u>1,779,345</u>
Capital assets being depreciated					
Buildings	653,533	(21,447)	122,998	(69)	755,015
Improvements other than buildings	21,582	-	75	(666)	20,991
Equipment	213,079	-	38,970	(26,983)	225,066
Total capital assets being depreciated	<u>888,194</u>	<u>(21,447)</u>	<u>162,043</u>	<u>(27,718)</u>	<u>1,001,072</u>
Less accumulated depreciation for:					
Buildings	(201,210)	6,119	(19,064)	18	(214,137)
Improvements other than buildings	(3,909)	-	(1,256)	662	(4,503)
Equipment	(137,259)	-	(25,145)	17,064	(145,340)
Total capital assets being depreciated - net	<u>545,816</u>	<u>(15,328)</u>	<u>116,578</u>	<u>(9,974)</u>	<u>637,092</u>
Governmental activities capital assets - net	<u>\$ 2,307,564</u>	<u>\$ (58,898)</u>	<u>\$ 320,581</u>	<u>\$ (152,810)</u>	<u>\$ 2,416,437</u>
Business-type Activities:					
Capital assets not being depreciated					
Land	\$ 324,756	\$ -	\$ 9,130	\$ (1,902)	\$ 331,984
Work in progress	956,121	-	514,928	(100,772)	1,370,277
Total capital assets not being depreciated	<u>1,280,877</u>	<u>-</u>	<u>524,058</u>	<u>(102,674)</u>	<u>1,702,261</u>
Capital assets being depreciated					
Buildings	1,062,988	-	28,716	(18,095)	1,073,609
Improvements other than buildings	2,052,474	-	23,927	(9,247)	2,067,154
Equipment	1,416,916	-	40,669	(38,621)	1,418,964
Total capital assets being depreciated	<u>4,532,378</u>	<u>-</u>	<u>93,312</u>	<u>(65,963)</u>	<u>4,559,727</u>
Less accumulated depreciation for:					
Buildings	(371,226)	-	(35,745)	13,270	(393,701)
Improvements other than buildings	(755,796)	-	(51,577)	416	(806,957)
Equipment	(880,388)	-	(81,991)	24,321	(938,058)
Total capital assets being depreciated - net	<u>2,524,968</u>	<u>-</u>	<u>(76,001)</u>	<u>(27,956)</u>	<u>2,421,011</u>
Business-type activities capital assets - net	<u>\$ 3,805,845</u>	<u>\$ -</u>	<u>\$ 448,057</u>	<u>\$ (130,630)</u>	<u>\$ 4,123,272</u>

Beginning balance adjustments to infrastructure and land (right-of-way) were due to reclassifications of previously capitalized costs as preservation and other corrections. Beginning balance adjustments to buildings and accumulated depreciation were due to cost basis differences that resulted from the change in accounting for certain governmental buildings previously accounted for as capital leases. The cost of the buildings is now based on the actual construction cost (net of depreciation) as reported in the lessor corporations' balance sheets after the corporations were blended with the County primary government. The adjustment for work-in-progress was another effect of the blending. (See Note 15 – Restrictions, Reserves, Designations, and Changes in Equity – Restatements of Beginning Balances).

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Governmental activities include capital assets of governmental internal service funds. All but one of the County's internal service funds is classified under governmental activities; the Wastewater Equipment Rental Fund is reported under business-type activities because it provides services exclusively to the Water Quality enterprise.

Depreciation Expense

Depreciation expense was charged to functions of the Primary Government as follows (in thousands):

Governmental Activities	
General government services	\$ 9,732
Law, safety and justice	12,089
Physical environment	200
Transportation	629
Economic environment	284
Mental and physical health	1,787
Culture and recreation	2,548
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	10,838
Total depreciation expense – governmental activities	<u><u>\$ 38,107</u></u>
Business-type Activities	
Water Quality	\$ 74,781
Public Transportation	82,113
Solid Waste	13,566
King County International Airport	1,521
Radio Communications	1,138
Institutional Network	1,649
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	834
Total depreciation expense – business-type activities	<u><u>\$ 175,602</u></u>

Infrastructure

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in King County's infrastructure are the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach, i.e., depreciation is not recorded. An important consequence of opting for the modified approach is that costs incurred to extend the asset's useful life which are normally capitalized under the depreciation method are now expensed as preservation costs.

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where

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the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

Land

Land also includes right-of-way (including infrastructure-related), conservation easements, and farmland development rights.

Right-of-Way

Estimated original historical costs for infrastructure-related right-of-ways were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

Conservation Easements

A conservation easement is a legal agreement between a landowner and the County that permanently limits land uses in order to protect conservation values.

Farmland Development Rights

The Farmland Preservation Program was established in 1979 to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for approximately 12,800 acres. Acquisition of these development rights was intended to ensure that land is not developed in a nonagricultural use.

Governmental Buildings in Internal Service Fund

Certain capital assets classified under governmental activities are reported under a building development and management internal service fund which consists of the aggregation of four separate non-profit property management corporations that are recognized as blended component units of the County in accordance with GASB Statement 14. These buildings are: King Street Center building; Patricia Bracelin Steel Memorial building; Chinook building and Goat Hill parking garage; and the Ninth and Jefferson Building (under construction).

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the next fiscal year.

Proprietary Funds

Public Transportation Enterprise – \$794.5 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

Water Quality Enterprise – \$1.4 billion is committed to constructing a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises – \$125.8 million is committed to improving the County's solid waste regional landfill and transfer stations; \$35.5 million is committed to runway rehabilitation and facilities improvements at the King County International Airport.

Capital Projects Funds

\$454.9 million is committed to various capital projects, including: 1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and

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control of urban sprawl; 2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; 3) affordable housing; 4) technology initiatives to improve business efficiency, emergency preparedness, and network security; 5) flood control to protect the ecosystem and public property; 6) preservation and widening of roads and bridges; and 7) improvement of building facilities.

Discretely Presented Component Units**Harborview Medical Center (HMC)**

Capital assets activity for HMC during the fiscal year ended June 30, 2007, was as follows (in thousands):

	Balance 07/01/06	Increases	Decreases	Balance 06/30/07
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	91,623	79,219	(7,446)	163,396
Total capital assets not being depreciated	93,209	79,219	(7,446)	164,982
Capital assets being depreciated:				
Buildings	186,504	2,547	-	189,051
Improvements other than buildings	1,531	107	(12)	1,626
Equipment	279,290	13,210	(12,496)	280,004
Total capital assets being depreciated	467,325	15,864	(12,508)	470,681
Less accumulated depreciation for:				
Buildings	(83,141)	(5,846)	-	(88,987)
Improvements other than buildings	(853)	(89)	12	(930)
Equipment	(178,924)	(18,549)	11,874	(185,599)
Total capital assets being depreciated - net	204,407	(8,620)	(622)	195,165
HMC capital assets, net	<u>\$ 297,616</u>	<u>\$ 70,599</u>	<u>\$ (8,068)</u>	<u>\$ 360,147</u>

HMC also owns other properties (net book value of \$2.7 million) which are held for future use. These are reported under "Other assets" in the component unit's statement of net assets.

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Capital assets activity for the PFD for the period ended December 31, 2007, was as follows (in thousands):

	Balance 01/01/07	Increases	Decreases	Balance 12/31/07
Capital assets not being depreciated:				
Land	\$ 38,498	\$ -	\$ -	\$ 38,498
Capital assets being depreciated:				
Baseball stadium	489,464	394	-	489,858
Improvements other than buildings	20,666	3,154	-	23,820
Equipment	65	-	-	65
Total capital assets being depreciated	510,195	3,548	-	513,743
Less accumulated depreciation for:				
Baseball stadium	(92,797)	(12,763)	-	(105,560)
Improvements other than buildings	(516)	(79)	-	(595)
Equipment	(60)	(4)	-	(64)
Total capital assets being depreciated - net	416,822	(9,298)	-	407,524
PFD capital assets, net	<u>\$ 455,320</u>	<u>\$ (9,298)</u>	<u>\$ -</u>	<u>\$ 446,022</u>